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PP RUEHFK RUEHKS RUEHNH
DE RUEHKO #3381/01 3470803
ZNY CCCCC ZZH
P 120803Z DEC 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 9394
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6798
RUEHRL/AMEMBASSY BERLIN PRIORITY 1542
RUEHBR/AMEMBASSY BRASILIA PRIORITY 0441
RUEHBY/AMEMBASSY CANBERRA PRIORITY 2924
RUEHLO/AMEMBASSY LONDON PRIORITY 2277
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RUEHFK/AMCONSUL FUKUOKA PRIORITY 1395
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RUEHNH/AMCONSUL NAHA PRIORITY 3751
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RUEHKS/AMCONSUL SAPPORO PRIORITY 1961
RUEHIN/AIT TAIPEI PRIORITY 7204
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 3448

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 003381

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STATE PASS USTR FOR AUSTR CUTLER AND MBEEMAN

E.O. 12958: DECL: 12/09/2018

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SUBJECT: JAPANESE OFFICIALS WEIGH IN ON THE WTO MODALITIES
AND TRADE LIBERALIZATION

REF: STATE 125609

Classified By: Ambassador J.Thomas Schieffer; reasons 1.4 (b) and (d)

¶1. (C) Summary: Senior METI and MOFA officials are still looking to conclude the Doha Development Agenda, but Japan remains held back by concerns over opening Japan's agricultural market. The GOJ is watching closely U.S. engagement with China, describing positive outcomes to those discussions as an essential precondition to a successful ministerial. At the same time, officials point to METI Minister Nikai's conversations with EU and other trade ministers as examples of Japan's work to make the progress the GOJ has said it wants to see on Doha this year. End Summary.

¶2. (SBU) Emboffs have held a series of meetings with Japanese officials regarding the talks on the WTO Doha Development Agenda and the need for Japan to be more forward leaning in promoting trade liberalization and regional trade initiatives. Officials include METI Director General for Multilateral Trade Hideo Suzuki December 2; Ministry of Foreign Affairs (MOFA) WTO Ambassador Jun Yokota December 5; and MOFA DG for Economic Policy Yoichi Otabe, also on December 5. Officials met as well with Keizai Doyukai Chair Masamitsu Sakurai December 11. Embassy notes too that the Japanese Embassy in Washington has been in direct contact with USTR to deliver a demarche connected with the current state of play in the trade talks.

¶3. (C) Director General Suzuki at METI agreed the world's economies need to move expeditiously to conclude the WTO Doha Round, including as a means to address global economic turmoil. Japan is prepared to participate in a ministerial if one is called and Suzuki noted METI Minister Nikai spoke with the EU Trade Commissioner December 2 regarding next steps in the Doha Development Agenda (DDA). Both Suzuki and Ambassador Yokota at MOFA asserted a successful outcome in Geneva largely depends on the talks between USTR Schwab and

her Chinese counterparts, particularly those that took place during the Strategic Economic Dialogue meetings in Beijing December 4-5 (neither had received a read-out at the time of emboffs' meetings.) A breakthrough with China could bode well for overall progress on modalities for an agreement, they contended. MOFA Director General Otabe stated this sentiment as well, noting the outcome of USTR Schwab's discussions in Beijing would help determine the GOJ's position at the upcoming Geneva Ministerial. Otabe said Japan wants to conclude the Doha Round before the end of the current U.S. Administration, but did not offer substantive comments about how to ensure this. He too showed a strong focus on what the U.S. is doing on China.

14. (C) Suzuki said he was more optimistic about a successful Doha Round than he had been a year ago, but cautioned there is still a "huge risk" of failure. On non-agricultural market access (NAMA), he noted that during his visit to India at the end of November to urge support for Doha, the Indians, like the Chinese, remained reluctant to resolve outstanding differences. Still, he said he would give a ministerial a 40 percent chance of success, up from 5 to 10 percent a few weeks earlier. Ambassador Yokota was also skeptical. He thinks China, Brazil, and India do not want to agree on NAMA sectorals beyond the level of "good faith" negotiations. He also questions whether negotiators in Geneva had made progress on technical issues pertaining to Special Safeguard Mechanisms (SSMs). Discussions on geographic indicators at the July ministerial meetings, albeit intense, had similarly failed to produce the needed results, in large part due to EU

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intransigence, Yokota said.

15. (C) Suzuki, Yokota, and Otabe all noted at length that Japan's ability to be forthcoming on Doha remains constrained by domestic agricultural interests, despite the potential gains for Japan's manufacturers. They said The Ministry of Agriculture Forestry and Fisheries (MAFF) continues to refuse to show any flexibility and they repeatedly noted the current political difficulties as mitigating against the political leadership standing up to farm interests. MAFF, Yokota said, is reluctant even to tell other Japanese ministries its bottom line. He also argued it would be difficult to satisfy affected constituents, especially if they face job losses in the short to medium term. Director General Otabe suggested if Japan got what it needed on NAMA, it would be ready to move on agriculture. Surprisingly, he sought to shift focus from Japan's continued stance by noting Canada too has problems with the agricultural proposals now under consideration in the DDA.

Trade Liberalization Outside the DDA

16. (C) The problems Japan's agricultural policies pose for the DDA also hinder Japan's ability to move ahead with regional and bilateral trade and economic integration arrangements. Suzuki acknowledged while the GOJ should assume a more positive role in regional trade initiatives, it will find it difficult to do so until Japan embarks on real reform of domestic agriculture. Beyond the recently concluded Japan-ASEAN trade agreement and work on an ASEAN plus 6 agreement, the GOJ is interested in learning more about the Trans-Pacific Partnership (TPP) FTA. One reason the GOJ declined to participate in the TPP was concern about what might be required of its agriculture sector, Suzuki said. He noted METI is exploring how Japan might seek observer status to the negotiations; doing so might help the GOJ explain to domestic agriculture constituents the merits of eventually joining the TPP. Keizai Doyukai (Japan Association of Business Executives) Chairman Sakurai also told Emboffs and visiting USTR officials December 11 that his organization too is looking at Japan's agricultural policies, but he made clear he did not expect any quick progress and noted his frustration as well with Japan's domestic political

situation.

17. (C) Ambassador Yokota explained Japan in the past felt awkward about engaging in "grand" strategies or alliances, but has always tried to be helpful in terms of providing technical assistance and other outreach-related activities. Suzuki conceded Japan was not ready for FTAs with developed countries and, in the case of some developing countries, might not appear as eager to conclude FTAs as China, which he said is motivated to pursue FTAs as a means to extend national influence. In general, Japan would benefit from more vocal domestic players, both in agriculture and other sectors, he said.

SCHIEFFER